

Message Text

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C O N F I D E N T I A L LA PAZ 0411

E.O. 11652: GDS

TAGS: PFOR, PINS, PINT, BL

SUBJ: PRESIDENT BANZER'S POSITION STRENGTHENS

1. THE AGREEMENT BY CHILE TO NEGOTIATE WITH BOLIVIA ON A SOVEREIGN OUTLET TO THE PACIFIC, PLUS THE GENERALIZED ASSUMPTION THAT PERU WILL NOT STAND IN THE WAY OF A SETTLEMENT BETWEEN CHILE AND BOLIVIA, HAS PUT PRESIDENT BANZER ON A MUCH STURDIER PEDESTAL AND HAS GIVEN HIM THE WHEREWITHAL TO TAKE OTHER STEPS THAT SHOULD FURTHER STRENGTHEN HIS INTERNAL POLITICAL POSITION AND THEREBY ASSURE CONTINUED POLITICAL STABILITY IN 1976 AND POSSIBLY THROUGHOUT THE DECADE.

2. THESE OTHER STEPS THUS FAR INCLUDE: THE REPLACEMENT OF THE THREE SERVICE COMMANDERS, A MEASURE STRONGLY ADVOCATED BY A MAJORITY OF THE MIDDLE GRADE OFFICERS; THE RETIREMENT OF AN UNUSUALLY LARGE NUMBER OF SENIOR OFFICERS, THEREBY PRERMITTING SOME RATHER EXTENSIVE UPWARD MOBILITY WITHIN THE OFFICER RANKS; AND THE TACIT AGREEMENT OF THE GOB WITH THE FSB AND CERTAIN ELEMENTS OF THE MNR (INCLUDING ITS LABOR COMMAND) TO LET THESE POLITICAL ENTITIES ORGANIZE AND WORK QUIETLY FOR THE PURPOSE OF PARTAKING IN EVENTUAL NATIONAL ELECTIONS, IN EXCHANGE FOR NON-OPPOSITION IN GENERAL AND SUPPORT ON SOME ANTIONAL ISSUES (SUCH
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AS OUTLET TO THE SEA). ALSO BANZER'S GOVERNMENT (AETH THE HELP OF

HIGH PRICES FOR BOLIVIA'S EXPORTS IN 1973 AND 1974) HAS SUCCESSFULLY MAINTAINED A HIGH LEVEL OF ECONOMIC GROWTH OVER THE PAST THREE YEARS, AVERAGING BETWEEN 6.5 AND 7.0 PERCENT.

3. FALLING PRICES IN 1975 CAUSED A BALANCE OF PAYMENTS DEFICIT ESTIMATED ON A PRELIMINARY BASIS AT ABOUT \$59 MILLION, REDUCING OFFICIAL FOREIGN EXCHANGE RESERVES TO \$115 MILLION. PROSPECTS ARE FOR A CONTINUING DEFICIT THROUGH THE FIRST SIX MONTHS OF 1976, OR AT LEAST UNTIL PRICES FOR BOLIVIA'S RAW MATERIAL EXPORTS TURN UPWARDS. AS FOREIGN EXCHANGE RESERVES CONTINUE FALLING THE GOB WILL PROBABLY BE FORCED TO TAKE ADDITIONAL FISCAL, MONETARY AND CREDIT MEASURES TO REDUCE CONSUMER IMPORTS, BUT BANZER'S STRENGTHENED POSITION SHOULD ENABLE HIM TO TAKE APPROPRIATE MEASURES AS NECESSARY. THE CENTRAL BANK HAS ALREADY ADVISED PRIVATE BANKS THAT MEASURES TO RESTRAIN CREDIT FOR "NON-PRODUCTIVE" USES WILL BE FORTHCOMING SOMETIME SOON.

4. THE CONTINUING DISARRAY OF BANZER'S POTENTIAL OPPONENTS ALSO STRENGTHENS HIS POSITION. THE EXTREMISTS, AS WELL AS THE MAJOR POLITICAL PARTIES REMAIN FRACTIONALIZED AMONG EXILES AND IN-COUNTRY ADHERENTS AND AMONG CONTENDING AND ANTAGONISTIC PERSONALITIES. THERE IS NO OTHER CURRENT FOCAL POINT OR INDIVIDUAL IN THE MILITARY SERVICES THAT ATTRACTS ANYWHERE NEAR THE SUPPORT THAT WOULD BE REQUIRED TO MOUNT AN EFFECTIVE COUNTERFORCE TO THE BANZER REGIME. PRESIDENT BANZER DOES NOT AWAKEN MASS ENTHUSIASM, BUT HE SEEMS ASSURED OF WIDESPREAD ACQUIESCENCE IN HIS RULE; AND IF HE CONTINUES HIS HERETOFORE SUCCESSFUL PRACTICE OF ALTERNATELY NEUTRALIZING OPPONENTS AND ATTRACTING FENCE SITTERS TO HIS SIDE, WITHIN MILITARY CIRCLES ESPECIALLY, HE SHOULD BE ABLE TO ASSUME A MORE FORCEFUL LEADERSHIP ROLE OVER THE NEXT YEAR. THIS WOULD MEAN THAT LESS OF HIS ENERGY NEED BE DEVOTED TO RETAINING POWER, AND MORE COULD BE DEVOTED TO SOLVING THE PROBLEMS OF THIS UNDERDEVELOPED COUNTRY.

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